

**CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH
FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

SECTION A: HONG KONG BRANCH INFORMATION

INCOME STATEMENT

	Note	2021 HK\$'000	2020 HK\$'000
Interest income		2,912,389	5,315,486
Interest expense		(2,065,662)	(4,113,605)
Net interest income		846,727	1,201,881
Fees and commission income		182,489	251,292
Fees and commission expense		(16,920)	(17,317)
Net fees and commission income		165,569	233,975
Net trading gain / (loss)	1	60,275	(21,128)
Net gain on disposal arising from investment securities		48,670	196,949
Other operating income, net	2	319,495	84,770
Operating income		1,440,736	1,696,447
Operating expenses	3	(677,626)	(604,091)
Net operating income before impairment losses		763,110	1,092,356
Release / (charge) in expected credit losses		337,673	(39,162)
Profit before tax		1,100,783	1,053,194
Taxation charge	4	(183,375)	(212,273)
Profit for the period		917,408	840,921

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STATEMENT OF FINANCIAL POSITION

		As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
	Note		
Assets			
Deposits with central banks		7,324,384	12,395,908
Deposits with banks		2,083,872	1,063,422
Placements with banks	5	19,016,637	13,563,638
Financial assets held under resale agreements		-	746,879
Financial assets measured at fair value through profit or loss	6	1,770,056	2,130,041
Financial assets measured at fair value through other comprehensive income	7	38,087,501	38,162,898
Financial assets measured at amortised cost	8	2,341,842	3,331,166
Derivative financial instruments	9	4,359,399	2,841,966
Amount due from head office and overseas branches		69,400,772	73,501,999
Loans and advances to overseas branches and related companies		9,460,231	8,081,120
Loans and advances to customers and trade bills	10	52,464,140	48,262,646
Furniture and equipment		587	709
Right-of-use assets		-	44,540
Intangible assets		20	20
Deferred tax assets		128,438	182,980
Other assets		670,747	2,033,087
Total assets		207,108,626	206,343,019
Equity and liabilities			
Borrowings from central banks		2,008,954	1,670,444
Deposits from banks		4,351,426	1,398,534
Placements from banks and non-bank financial institutions		43,848,569	33,434,380
Deposits from customers	15	53,715,829	63,102,759
Derivative financial instruments	9	4,536,316	3,132,071
Certificates of deposit and medium-term notes issued		54,517,808	68,628,086
Amount due to related companies		279,941	173,112
Amount due to head office and overseas branches		35,876,315	26,501,422
Lease liabilities		15,690	69,188
Current tax liabilities		30,920	69,143
Other liabilities		669,536	1,500,095
Total liabilities		199,851,304	199,679,234
Reserves	16	7,257,322	6,663,785
Total equity and liabilities		207,108,626	206,343,019

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NOTES TO THE FINANCIAL INFORMATION

1. Net trading gain / (loss)

	For the year ended	
	2021	2020
	HK\$'000	HK\$'000
Net gains less losses from trading in foreign currencies	143,440	12,439
Net losses from other trading activities	(83,165)	(33,567)
	<u>60,275</u>	<u>(21,128)</u>

2. Other operating income, net

	For the year ended	
	2021	2020
	HK\$'000	HK\$'000
Management fee received	313,357	74,457
Others	6,138	10,313
	<u>319,495</u>	<u>84,770</u>

3. Operating expenses

	For the year ended	
	2021	2020
	HK\$'000	HK\$'000
Management fee paid	447,692	576,370
Staff expenses	206,795	-
Premises expenses	2,471	3,642
Others	20,668	24,079
	<u>677,626</u>	<u>604,091</u>

4. Taxation charge

	For the year ended	
	2021	2020
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	127,854	218,178
Deferred tax		
- Origination and (reversal) of temporary differences	55,521	(5,905)
	<u>183,375</u>	<u>212,273</u>

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NOTES TO THE FINANCIAL INFORMATION (Continued)

5. Placements with banks

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Placements with banks with residual contractual maturity:		
- Less than one month	6,639,100	9,629,021
- More than one month and less than twelve months	10,576,184	2,142,368
- More than twelve months	1,793,195	1,785,904
Less: Expected credit losses	<u>(161)</u>	<u>(389)</u>
	19,008,318	13,556,904
Accrued interest receivables	<u>8,319</u>	<u>6,734</u>
	<u>19,016,637</u>	<u>13,563,638</u>

6. Financial assets measured at fair value through profit or loss

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Trading loans	1,707,823	2,129,548
Investment securities	<u>61,402</u>	<u>-</u>
	1,769,225	2,129,548
Accrued interest receivables	<u>831</u>	<u>493</u>
	<u>1,770,056</u>	<u>2,130,041</u>

7. Financial assets measured at fair value through other comprehensive income

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Investment securities	34,720,294	31,984,595
Certificates of deposit held	3,074,479	5,890,037
Less: Expected credit losses	<u>(325)</u>	<u>(211)</u>
	37,794,448	37,874,421
Accrued interest receivables	<u>293,053</u>	<u>288,477</u>
	<u>38,087,501</u>	<u>38,162,898</u>

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NOTES TO THE FINANCIAL INFORMATION (Continued)

8. Financial assets measured at amortised cost

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Investment securities	93,714	1,093,237
Certificates of deposit held	2,336,774	2,326,127
Less: Expected credit losses	<u>(93,714)</u>	<u>(93,439)</u>
	2,336,774	3,325,925
Accrued interest receivables	<u>5,068</u>	<u>5,241</u>
	<u>2,341,842</u>	<u>3,331,166</u>

9. Derivative financial instruments

<u>As at 31 December 2021</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	419,091,308	4,272,303	4,250,547
Interest rate contracts	<u>17,285,634</u>	<u>87,096</u>	<u>285,769</u>
	<u>436,376,942</u>	<u>4,359,399</u>	<u>4,536,316</u>
<u>As at 30 June 2021</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	443,554,031	2,760,252	2,731,758
Interest rate contracts	<u>17,171,212</u>	<u>81,714</u>	<u>400,313</u>
	<u>460,725,243</u>	<u>2,841,966</u>	<u>3,132,071</u>

There is no effect of bilateral netting agreement on the fair value of derivatives.

The notional amounts of these instruments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent the amounts at risk.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

10. Loans and advances to customers and trade bills

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Loans and advances to customers	52,246,108	49,135,216
Trade bills	886,751	-
Less: Unamortised portion of upfront fees	(86,130)	(107,057)
Expected credit losses		
- 12 months ECL	(106,913)	(78,227)
- Lifetime ECL but not credit impaired	(566,327)	(786,408)
- Lifetime ECL and credit impaired	-	-
	52,373,489	48,163,524
Accrued interest receivables	92,105	102,334
Less: Expected credit losses	(1,454)	(3,212)
	90,651	99,122
	52,464,140	48,262,646

11. Analysis of loans and advances to customers

(a) Analysis by industry categories

The following analysis is based on the categories and definitions used by the Hong Kong Monetary Authority.

	<u>As at 31 December 2021</u>		<u>As at 30 June 2021</u>	
	HK\$'000	% covered by collateral	HK\$'000	% covered by collateral
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	8,277,563	33.27%	8,149,489	33.15%
- Property investment	-	0.00%	1,250,000	0.00%
- Financial concern	5,369,894	0.00%	4,999,091	0.00%
- Wholesale and retail trade	1,389,825	0.00%	500,000	0.00%
- Manufacturing	2,357,571	0.00%	-	0.00%
- Transport and transport equipment	600,000	0.00%	2,150,000	0.00%
- Others	3,346,100	0.00%	3,270,000	0.00%
Loans and advances for use in Hong Kong	21,340,953	12.90%	20,318,580	13.30%
Trade finance	-	0.00%	828,317	72.47%
Loans and advances for use outside Hong Kong	30,905,155	2.46%	27,988,319	10.39%
Total	52,246,108	6.72%	49,135,216	12.64%

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NOTES TO THE FINANCIAL INFORMATION (Continued)

11. Analysis of loans and advances to customers (Continued)

(b) Analysis by geographical areas

<u>As at 31 December 2021</u>	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
Hong Kong	44,972,221	-	-
Others	7,273,887	-	-
Total	<u>52,246,108</u>	<u>-</u>	<u>-</u>
	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
<u>As at 30 June 2021</u>			
Hong Kong	42,777,801	-	-
Others	6,357,415	-	-
Total	<u>49,135,216</u>	<u>-</u>	<u>-</u>

Loans and advances to customers by geographical areas are classified according to the location of the counterparties.

12. Impaired loans and advances

Impaired loans and advances to customers are those loans and advances where full repayment of principal and / or interest is considered unlikely and are so classified as soon as such a situation becomes apparent.

There were no impaired loans and advances and repossessed assets as at 31 December 2021 and 30 June 2021.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

13. Overdue and rescheduled assets

(a) Overdue loans and advances

There were no overdue loans and advances as at 31 December 2021 and 30 June 2021.

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 31 December 2021 and 30 June 2021.

(c) Other overdue assets

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Over one year	<u>93,714</u>	<u>93,333</u>

There were no other assets overdue for over three months but one year or less as at 31 December 2021 and 30 June 2021.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

14. Non-bank mainland exposures

<u>As at 31 December 2021</u>	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	30,348,681	14,244,817	44,593,498
(b) Local governments, local government-owned entities and their subsidiaries and JVs	1,297,746	32,541	1,330,287
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	5,088,200	3,169,475	8,257,675
(d) Other entities of central government not reported in item (a) above	250,200	-	250,200
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	2,441,347	442,027	2,883,374
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>39,426,174</u>	<u>17,888,860</u>	<u>57,315,034</u>
Total assets after provision	<u>207,108,626</u>		
On-balance sheet exposures as percentage of total assets	<u>19.04%</u>		
 <u>As at 30 June 2021</u>	 On-balance sheet exposures HK\$'000	 Off-balance sheet exposures HK\$'000	 Total exposures HK\$'000
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	27,157,444	12,890,331	40,047,775
(b) Local governments, local government-owned entities and their subsidiaries and JVs	1,018,586	22,801	1,041,387
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	7,385,111	1,164,720	8,549,831
(d) Other entities of central government not reported in item (a) above	476,681	-	476,681
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	570,450	33,047	603,497
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	2,002,442	-	2,002,442
Total	<u>38,610,714</u>	<u>14,110,899</u>	<u>52,721,613</u>
Total assets after provision	<u>206,343,019</u>		
On-balance sheet exposures as percentage of total assets	<u>18.71%</u>		

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NOTES TO THE FINANCIAL INFORMATION (Continued)

15. Deposits from customers

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Demand deposits and current accounts	1,914,052	2,895,133
Savings deposits	11,198,799	29,263,859
Time, call and notice deposits	40,517,259	30,857,521
	53,630,110	63,016,513
Accrued interest payables	85,719	86,246
	53,715,829	63,102,759

16. Reserves

The components of reserves are as follows:

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Investment revaluation reserve, net of deferred tax	58,190	(33,182)
Reserve for cash flow hedge, net of deferred tax	11,769	2,577
Regulatory reserve	194,824	194,824
Retained earnings	6,992,539	6,499,566
Total reserves	7,257,322	6,663,785

The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority. There was no movement of regulatory reserve during year ended 31 December 2021 and six months ended 30 June 2021.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

17. International claims

The international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. International claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country and geographical area. A country or geographical area is reported when it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk is transferred only when the Branch effectively transfers the risk from a particular country or geographical area to other country or geographical area by applying credit risk mitigants. The credit risk can be mitigated through guarantees, collateral and credit derivatives.

<u>As at 31 December 2021</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	10,650,022	189,478	3,378,010	18,445,748	32,663,258
- Of which Hong Kong	<u>10,001,341</u>	<u>189,478</u>	<u>3,378,010</u>	<u>18,223,333</u>	<u>31,792,162</u>
Developing Asia and Pacific	111,456,034	3,026,528	-	6,726,020	121,208,582
- Of which the Mainland	<u>94,494,924</u>	<u>3,026,528</u>	-	<u>6,643,852</u>	<u>104,165,304</u>
- Of which Malaysia	<u>16,961,110</u>	-	-	-	<u>16,961,110</u>

<u>As at 30 June 2021</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	7,852,553	191,316	2,615,979	20,639,020	31,298,868
- Of which Hong Kong	<u>7,791,786</u>	<u>191,316</u>	<u>2,615,979</u>	<u>20,369,486</u>	<u>30,968,567</u>
Developing Asia and Pacific	112,737,587	2,089,547	81,888	3,735,902	118,644,924
- Of which the Mainland	<u>99,863,239</u>	<u>2,089,547</u>	<u>81,888</u>	<u>3,735,639</u>	<u>105,770,313</u>
- Of which Malaysia	<u>12,874,347</u>	-	-	-	<u>12,874,347</u>

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18. Foreign currency exposures

Net foreign currency positions amounting to 10% or more of the net position in all foreign currencies are disclosed as follows:

<u>As at 31 December 2021</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	115,750,527	34,250,576
Spot liabilities	(110,355,104)	(35,243,354)
Forward purchases	194,493,951	139,030,958
Forward sales	<u>(199,903,317)</u>	<u>(138,001,451)</u>
Net long position	<u>(13,943)</u>	<u>36,729</u>
<u>As at 30 June 2021</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	104,876,393	36,944,894
Spot liabilities	(111,598,767)	(38,192,222)
Forward purchases	216,280,686	116,776,674
Forward sales	<u>(209,484,330)</u>	<u>(115,523,332)</u>
Net long position	<u>73,982</u>	<u>6,014</u>

There was no structural and option position as at 31 December 2021 and 30 June 2021.

19. Contingent liabilities and commitments

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Direct credit substitutes	27,248,969	26,145,986
Transaction-related contingencies	67,050	66,777
Trade-related contingencies	869,054	637,388
Other commitments	<u>21,464,668</u>	<u>23,029,647</u>
	<u>49,649,741</u>	<u>49,879,798</u>

The contractual amounts of the above contingent liabilities and commitments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk.

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20. Liquidity

The Hong Kong Branch of China Construction Bank Corporation (“the Branch”) was designated by the HKMA as a category 2A institution and required to comply with the requirements related to the liquidity maintenance ratio (“LMR”) and the core funding ratio (“CFR”) with effect from 1 Oct 2021.

(a) Average Liquidity Coverage Ratio (“LCR”) and Liquidity Maintenance Ratio (“LMR”)

	For the quarter ended 31 December 2021	For the quarter ended 30 September 2021
Average Liquidity Coverage Ratio	<u>N/A</u>	<u>166.25%</u>
Average Liquidity Maintenance Ratio	<u>56.05%</u>	<u>N/A</u>

Average Liquidity Coverage Ratio for the quarter ended 30 September 2021

The average LCR for the quarter ended 30 September 2021 is based on the arithmetic mean of its LCR as at the end of each working day in the quarter.

Average Liquidity Maintenance Ratio for the fourth quarter ended 31 December 2021

The average LMR for the fourth quarter in 2021 is based on the arithmetic mean of the average value of its LMR for each calendar month as reported in the liquidity position return submitted for the reporting period.

The Branch maintained its LCR and LMR at healthy levels.

(b) Net Stable Funding Ratio (“NSFR”) and average Core Funding Ratio (“CFR”)

	For the quarter ended 31 December 2021	As at quarter ended 30 September 2021
Net Stable Funding Ratio	<u>N/A</u>	<u>122.19%</u>
Average Core Funding Ratio	<u>179.83%</u>	<u>N/A</u>

The average CFR for the fourth quarter in 2021 is based on the arithmetic mean of the average value of its CFR for each calendar month as reported in the liquidity position return submitted for the reporting period.

The Branch maintained its NSFR and CFR at healthy levels.

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20 Liquidity (Continued)

(c) Liquidity risk management

Liquidity Gap

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets:

As at 31 December 2021

In HK\$000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Deposits and balances from customers	53,639,868	13,819,995	12,130,309	15,302,452	12,387,112	-	-	-
Amount payable arising from derivative contracts	4,398,533	14,792,463	33,114,627	3,293,762	11,588,811	16,010,577	-	-
Due to banks	86,162,273	14,612,645	3,693,413	30,275,185	12,575,441	23,711,370	1,294,219	-
Debt securities issued	54,494,456	-	2,338,950	7,016,850	19,113,939	26,024,717	-	-
Other liabilities and reserves	8,266,907	108,912	137,487	249,706	508,277	5,202	-	7,257,323
Total on-balance sheet liabilities	206,962,037	43,334,015	51,414,786	56,137,955	56,173,580	65,751,866	1,294,219	7,257,323
Total off-balance sheet liabilities	49,703,349	110,124	874,375	900,741	18,418,570	7,569,339	21,830,200	-

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20 Liquidity (Continued)

(c) Liquidity risk management (Continued)

Liquidity Gap (Continued)

As at 31 December 2021

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Amount receivable arising from derivative contracts	4,246,193	14,811,235	33,124,192	3,196,370	11,678,046	16,683,412	42,082	-
Balances with central bank	7,324,384	7,324,384	-	-	-	-	-	-
Due from banks	99,895,776	16,064,739	13,017,645	20,330,909	21,280,158	29,202,325	-	-
Debt securities	40,631,063	40,537,349	-	-	-	-	-	93,714
Acceptances and bills of exchange held	958,556	-	320,049	638,507	-	-	-	-
Loans and advances to customers	54,115,291	2,502,190	15,260,223	10,520,316	7,850,033	16,808,491	1,174,038	-
Other assets	(138,948)	70,841	123,307	206,798	325,425	42,784	-	(908,103)
Total on-balance sheet assets	207,032,315	81,310,738	61,845,416	34,892,900	41,133,662	62,737,012	1,216,120	(814,389)
Total off-balance sheet assets	9,355,800	9,355,800	-	-	-	-	-	-
Contractual Maturity Mismatch		47,222,399	9,556,255	(22,145,796)	(33,458,488)	(10,584,193)	(21,908,299)	
Cumulative Contractual Maturity Mismatch		47,222,399	56,778,654	34,632,858	1,174,370	(9,409,823)	(31,318,122)	

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20 Liquidity (Continued)

(c) Liquidity risk management (Continued)

Liquidity Gap (Continued)

As at 31 December 2020

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Deposits and balances from customers	72,972,460	26,265,006	19,878,488	11,076,685	15,371,187	381,094	-	-
Amount payable arising from derivative contracts	6,103,941	5,120,073	1,861,079	3,871,617	10,750,314	5,380,974	-	-
Due to banks	79,017,215	23,315,210	16,894,215	7,481,215	1,172,340	28,867,436	1,286,799	-
Debt securities issued	67,502,610	-	-	7,377,504	31,769,022	28,356,084	-	-
Other liabilities and reserves	15,321,698	4,866,003	3,352,774	200,724	682,276	41,247	19,830	6,158,844
Total on-balance sheet liabilities	240,917,924	59,566,292	41,986,556	30,007,745	59,745,139	63,026,835	1,306,629	6,158,844
Total off-balance sheet liabilities	58,255,241	93,560	3,398,031	4,069,918	16,929,582	11,029,110	22,735,040	-

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20 Liquidity (Continued)

(c) Liquidity risk management (Continued)

Liquidity Gap (Continued)

As at 31 December 2020

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Amount receivable arising from derivative contracts	5,799,085	5,254,670	1,886,103	3,797,479	10,866,492	5,946,345	164,012	-
Balances with central bank	22,900,760	22,900,760	-	-	-	-	-	-
Due from banks	110,812,071	10,802,055	26,149,969	11,953,381	32,616,849	29,289,817	-	-
Debt securities	46,553,937	43,519,041	-	-	-	2,941,720	-	93,176
Loans and advances to customers	54,711,100	750,508	11,220,659	4,017,477	14,515,445	20,043,749	4,135,099	28,163
Other assets	60,136	37,277	134,892	167,885	555,768	216,340	147,191	(1,199,217)
Total on-balance sheet assets	240,837,089	83,264,311	39,391,623	19,936,222	58,554,554	58,437,971	4,446,302	(1,077,878)
Total off-balance sheet assets	9,814,075	9,302,160	-	-	511,915	-	-	-
Contractual Maturity Mismatch		32,906,619	(5,992,964)	(14,141,441)	(17,608,252)	(15,617,974)	(19,595,367)	
Cumulative Contractual Maturity Mismatch		32,906,619	26,913,655	12,772,214	(4,836,038)	(20,454,012)	(40,049,379)	

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20. Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Liquidity Risk Management Strategy

Liquidity risk is the risk that the Branch may not be able to fund the increase in assets or meet obligations as they fall due without incurring unacceptable losses. This may be caused by market disruption or liquidity squeeze whereby the Branch may only unwind specific exposures at significantly discounted values.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Branch's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratios, and to make new loans and investments as opportunities arise.

To achieve this purpose, the Branch adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limits and metric framework.

The Branch has established a set of liquidity risk management policies which set out the liquidity risk management framework of the Branch according to the requirements of the HKMA's Supervisory Policy Manuals "Regulatory Framework for Supervision of Liquidity Risk (LM-1)" and "Sound Systems and Controls for Liquidity Risk Management (LM-2)".

Liquidity Risk Management Responsibilities

The Executive Committee ("EC") is ultimately responsible for having an effective liquidity risk management framework in place. Risk Management Committee ("RMC") is set up to oversee the Branch's overall asset quality as well as resolving all important risk-related or governance issues including those on liquidity risk. The RMC is responsible for providing guidance and overseeing the Branch's liquidity risk management strategy; review or approve liquidity risk management policies and review the Branch's liquidity risk position.

The Asset and Liability Committee ("ALCO") is a functional committee formed under the Executive Committee to oversee the Branch's assets and liabilities. Its main responsibility is to develop strategies on the asset and liability structure and capital allocation according to the annual business plan and financial budget assigned by CCB Head Office.

Regular meetings of various committees are held to review the compliance status of liquidity measurements and the needs for change in strategy and policy. Daily liquidity management is performed by the Treasury. Risk Management Division ("RMD") is responsible for the daily monitoring of liquidity limits and measurements, and submits regular reports of the Branch's liquidity profile to ALCO and RMC. RMD timely reports potential liquidity risk issues to EC, RMC and ALCO. Internal Audit periodically performs independent reviews on the Branch's liquidity management framework to ensure the validity and effectiveness of the Branch's liquidity risk management functions.

The Branch has established liquidity risk management indicators and limits for daily measurement and management of liquidity risk. These indicators and limits include, but are not limited to statutory liquidity ratios. The Branch developed management information systems to provide liquidity exposures for computing these indicators on a daily basis.

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20. Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Funding Strategy

The Branch sets its liquidity funding strategy according to the size and sophistication of its business, as well as the nature and complexity of its activities. It also ensures that the Branch complies with applicable statutory liquidity requirements.

The objective of the Branch's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Branch seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

To manage currency mismatch and avoid over-reliance on the currency swap market, the Branch sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring. The swapped fund ratios limit the extent of one currency's assets being funded by other currencies through the swap market. The extent of diversification in tenors of funding is governed by liquidity metrics such as CFR and medium-term funding ratio. A medium-term funding ratio highlights the extent to which medium-term assets are being financed by the roll-over of short-term liabilities. To mitigate the risk of contagion from other CCB group entities when they are under liquidity stress, the Branch sets intragroup liquidity limits.

The funding support provided by CCB Head Office is one of the Branch's key sources of liquidity backstop during times of liquidity stress.

Liquidity Cushion

Under LMR, the liquidity cushion held by the Branch consists of cash, withdrawable reserves maintained with central banks and marketable debt securities eligible for inclusion in liquefiable assets for the purposes of determining LMR. These securities include those issued or guaranteed by sovereigns, central banks, multilateral development banks, mainland policy banks, corporates and financial institutions.

The extent of the Branch's maturity mismatch and the sufficiency of liquidity cushion are governed by various liquidity metrics and measurement tools such as maturity mismatch limits and liquidity stress tests.

The marketability of the Branch's liquidity cushion is periodically reviewed in keeping update with market conditions. The size of the liquidity cushion being maintained must be sufficient to meet intraday payments and settlement obligations on a timely basis under both normal and stressed conditions.

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20. Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Liquidity Risk Management Monitoring Framework

The Liquidity risk management monitoring framework is formed by the following measures:

- LMR measures the extent of liquefiable assets covering qualifying liabilities due within one month arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.
- CFR measures long term funding risk by assessing the degree of the Branch's core funding sources supporting the need in funding its business activities.
- Cash Flow Projection is to collect the next 30-day cash flow information arising from loan and deposit businesses entered into by various front line divisions. By consolidating this projection with the cash flow from Treasury's transactions, the Branch's overall cash flow can be projected and such information will take an important part in the Branch's liquidity funding management.
- Liquidity Stress Testing is regularly conducted to project the Branch's cash flows under stress scenarios and evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined crisis scenario. The cash flows under each stress scenario are determined by applying a standard set of prescribed stress assumptions to the Branch's cash flow projection. The potential cash flow arising from off-balance sheet items is included. The stress test results are regularly reported to the RMC and ALCO.
- Under LMR, liquidity cushion held by the Branch consists of cash, withdrawable reserves maintained with central banks and marketable debt securities eligible for inclusion in liquefiable assets for the purposes of determining LMR. It is the Branch's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.
- Maturity Profile Analysis analyzes the assets and liabilities by their remaining maturities into different time buckets. The potential cash flow arising from off-balance sheet items is included. The gap amount for each time bucket represents the liquidity exposure after netting the assets and liabilities maturing in the same bucket.
- Swapped Fund Ratio is designed to measure the reliance of the Branch on FX Swap market to fund the currency mismatch. Branch sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring.

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

20. Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Contingency Funding Plan (“CFP”)

The Branch has a CFP which clearly defines a set of triggering events that will activate the plan as well as the mechanisms for identification, monitoring and reporting of such events. The mechanisms incorporate:

- A set of early warning indicators that helps to identify any emerging liquidity risks at an early stage;
- A list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis; and
- Detailed action steps and properly assigned responsibilities to implement the CFP in case of need.

The extent of liquidity shortfalls estimated from stress testing under various scenarios beyond the level of liquidity cushion is a factor in determining severity levels and strategies to be adopted under the CFP. The Branch developed Business Continuity Plan (“BCP”) to handle branch-wide disaster and major crisis including bank run situations. The CFP constitutes an integral part of the BCP as bank run event may lead to liquidity drain.

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SECTION B: BANK INFORMATION (CONSOLIDATED BASIS)

I. Capital and capital adequacy

	As at 31 December 2021 RMB million	As at 30 June 2021 RMB million
Total capital ratio	17.85%	16.58%
Total equity	2,614,122	2,462,341

The capital adequacy ratio is calculated in accordance with the guidelines issued by the China Banking and Insurance Regulatory Commission. These guidelines are different from the document or Directive referred to in paragraph (a) Section 105 Chapter 155M of Banking (Disclosure) Rules.

II. Other financial information

	As at 31 December 2021 RMB million	As at 30 June 2021 RMB million
Total assets	30,253,979	29,833,188
Total liabilities	27,639,857	27,370,847
Total loans and advances to customers	18,170,492	17,493,902
Total customer deposits	22,378,814	22,317,969

	<u>For the year ended</u>	
	31 December 2021 RMB million	31 December 2020 RMB million
Profit before tax	378,412	336,616

**CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH
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STATEMENT OF COMPLIANCE

In compliance with the Banking (Disclosure) Rules Part 8 “Disclosures to be made by Authorized Institutions incorporated outside Hong Kong”, the enclosed unaudited financial information disclosure statement for the year ended 2021 has been provided.



Zhang Jun
Chief Executive
China Construction Bank Corporation, Hong Kong Branch